



COMDTINST 4408.7

MAR 6 1995

COMMANDANT INSTRUCTION 4408.7

Subj: REPORTING SUSPECTED OVERPRICED PARTS

Ref: (a) Spare Parts Control at Coast Guard Supply Centers
(SUPCENS), COMDTINST 4408.4
(b) The Improved Idea Express Suggestion System,
COMDTINST M5305.4 (series)

1. **PURPOSE.** This instruction provides guidance for Coast Guard members to report suspected overpriced parts within the Federal Supply System (FSS). Price challenges for "Other Government Agency" (OGA) managed items are submitted to the Navy Price Challenge Office, and challenges for Coast Guard managed items are submitted to the appropriate Coast Guard Supply Center (SUPCEN). Through application of these procedures, personnel throughout the Coast Guard can take an active role in reducing the price they pay for spare parts. Those who identify any overpriced part that results in cost savings are eligible for cash awards.
2. **ACTION.** Area and district commanders, commanders of maintenance and logistics commands, commanding officers of headquarters units, Commander, Coast Guard Activities Europe, and chiefs of offices and special staff divisions at headquarters shall ensure compliance with the provisions of this instruction.

DISTRIBUTION - SDL No. 132

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NON-STANDARD DISTRIBUTION: *B:c MLCPAC, MLCLANT (6 extra)

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3. DIRECTIVES AFFECTED. Procedures for Reporting Excessively Priced Parts, COMDTINST 4408.5, dated 10 July 1992, is cancelled.
4. MAJOR CHANGES. Major changes to this program include:
 - a. A new title for the instruction.
 - b. A change in the Navy slogan from "Buy Our Spares Smartly (BOSS)" to "Price Fighters".
 - c. The Navy Price Challenge Offices's new address, telefax, and telephone number.
 - d. A reduction to the evaluation time for Coast Guard SUPCENS from 90 to 60 days, and inclusion of a status update to challenger if the challenge will require more than 60 days to evaluate.
 - e. The deletion of additional payment by the Coast Guard to challenger of OGA item for which an award has already been paid by the Navy Price Challenge Office.
 - f. An additional requirement for Coast Guard SUPCENS to provide completed Price Challenges to the Logistics Management Division (G-ELM).
 - g. An empowerment to G-ELM with responsibility for initiating Idea Express documents for all price challenges resulting in cost savings to the Coast Guard.
5. BACKGROUND.
 - a. During the early 1980s the American public was incensed to learn that the Government routinely payed exorbitant prices for relatively common spare parts. Since then, Federal agencies have made significant progress in identifying and correcting instances of overcharging. However, combatting overpriced parts is a continuous process, and constant vigilance at all levels is necessary to keep costs under control.
 - b. The Coast Guard uses thousands of parts carried by the FSS. Each part in the FSS is procured and controlled by an Inventory Manager (IM). The IMs for Coast Guard-unique parts are located at one of the three Coast Guard SUPCENS. However, the vast majority (approximately 90 percent) of the FSS parts used by the Coast Guard are managed by OGAs such as the General Services Administration (GSA), the Defense Logistics Agency (DLA), and other branches of the Armed Services.

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- c. Overpricing of items within the FSS can occur for a variety of reasons.
 - (1) One of the most common causes of overpricing is the use of excessive Government specifications. For example, unnecessary packaging can add significantly to the price of an item.
 - (2) Another common problem is markups or added costs tacked on by contractors or distributors.
 - (3) Frequently, excessive prices are the result of simple clerical errors.
- d. Whatever the reason, overpricing costs the Government unnecessarily. While IMs strive to eliminate overpriced stock within the inventory, they are not always familiar with the function or design of the parts they manage. Often, the actual parts user is in a better position to identify a questionable part-to-price relationship.
- e. The Coast Guard developed procedures to provide a linkage between the inventory managers and part users by building on an existing Navy program - "Price Fighters". For many years the Navy has operated a successful price challenge program. This program encourages and rewards personnel for identifying any FSS part that is overpriced. Since 1989, the Navy has allowed participation in this program by all Coast Guard personnel. However, the Navy will not process challenges on Coast Guard-unique parts managed solely by Coast Guard SUPCENs. To address the suspected overpricing of these parts, submit challenges to the appropriate Coast Guard SUPCEN. Through application of these two systems, personnel may challenge the price of any part in the FSS.
- f. The price challenge program, coupled with its sister Spare Parts Breakout Program, helps eliminate abusive practices of paying more than is absolutely necessary and saves the customer and Government money. To a great extent, the wasteful expenditure of funds, such as those revealed during the parts pricing scandals of the early 1980s, can be avoided. By providing a mechanism for addressing pricing questions, personnel in the field can help lower costs and improve efficiency of Coast Guard logistics.

6. PROCEDURES.

- a. Any civilian or military member of the Coast Guard may "challenge" the price of any part within the FSS which appears excessive. The basis of a challenge may be the

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existence of a less expensive substitute, knowledge of the cost to manufacture, or just a "gut feeling" that the part is overpriced. Nevertheless, price challengers must provide as much information on the part as possible in order to expedite processing of the challenge. For example, a photograph or photocopy of the original or replacement item beside a ruler for size perspective, dimensional drawings, blueprints, or a new or failed sample of the item could be useful to the Price Challenge Office in resolving price challenges.

- b. CG personnel can initiate a price challenge by submitting a Suspected Overcharge Notification Form. The information shown in enclosure (1) is required for submitting price challenges to either the Navy Price Challenge Office for any OGA item, or Coast Guard SUPCEN for any Coast Guard managed item. Challenges may be called in by phone, sent by telefax, or mailed to the applicable office. Telephone numbers and addresses for the Navy Price Challenge Office and Coast Guard SUPCENS are provided in enclosure (2). The location to report each price challenge varies depending upon the inventory manager of the part being challenged. Challenges for all OGA managed items are submitted to the Navy Price Challenge Office. Likewise, price challenges involving Coast Guard-unique items shall be submitted to the appropriate Coast Guard SUPCEN that manages that particular part. Each Coast Guard SUPCEN has a Spare Parts Breakout staff which is responsible for ensuring competitive pricing of spare parts.

7. AWARDS.

- a. Successful price challengers may be eligible for cash awards from either the Navy (OGA items) or the Coast Guard (Coast Guard-unique items). These awards are based on the annual cost avoidance resulting from a decrease in the price of a challenged part. The Navy Price Challenge Office will forward a disbursement form to members for challenges producing a cost avoidance for the Navy.
- b. Likewise, challenges that result in cost reductions for a part managed by the Coast Guard entitles the challenger to a cash award which is paid through the Coast Guard Idea Express Suggestion System. All successful challengers for Coast Guard managed items are eligible for an award based on the first year savings to the Coast Guard.

8. RESPONSIBILITIES.

- a. Area and district commanders, commanders of maintenance and logistics commands, and unit commanding officers

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shall encourage personnel to identify and submit price challenges to the Navy Price Challenge Office or Coast Guard SUPCEN as appropriate. Coast Guard active duty members and civilian employees should take full advantage of the cash awards offered by the Navy Price Challenge Office or the Coast Guard Idea Express program.

- b. Commanding Officers of Coast Guard SUPCENs shall ensure that all price challenges received are processed in a timely manner. Spare Parts Breakout personnel shall investigate each challenge received and provide a written response to the challenger explaining the results of the investigation. If the challenge requires more than 60 days to complete, Coast Guard SUPCENs shall provide a status update to the challenger within 30 days of receipt of the challenge. Since the Navy Price Challenge staff must often contact other staff agencies (DLA, GSA, Other Services) they may take longer to respond to challenger inquiries. In addition, each SUPCEN evaluating a price challenge that results in a cost savings shall forward a copy of the completed evaluation to G-ELM with sufficient anticipated demand data to compute the first year savings.
 - c. Upon receipt, Commandant (G-ELM) will complete an Idea Express Suggestion Folder (CG-5516) in the name of the challenger, and submit to the Headquarters Idea Express Suggestion Office for a recommended cash award equal to ten percent of the first year savings. G-ELM shall also monitor the performance of each SUPCEN in evaluating and responding to price challenges. Additionally, G-ELM-1 shall serve as the clearing house for any questions or problems concerning price challenges sent to either the Navy Price Challenge Office or a Coast Guard SUPCEN. Information or material on the Navy Price Challenge program, including Suspected Overcharging Notification Forms and promotional posters, may be obtained by contacting Commandant (G-ELM) at (202) 267-1407.
9. **FORMS AVAILABILITY.** The new Coast Guard Form, Suspected Overcharge Notification Form, CG-5592, is available in Forms Plus Laser and may also be reproduced locally by photocopying enclosure (1) as required.



E. J. BARRETT
Chief, Office of Engineering,
Logistics and Development

- Encl: (1) Suspected Overcharge Notification Form, CG-5592
(2) Guidance on Routing of Price Challenges

Date: _____

SUSPECTED OVERCHARGE NOTIFICATION FORM

I think the Government is being overcharged on the following item. Please look into it, and let me know what you find.

NSN or Part Number _____
 Description or Name of Item _____
 Price you think is wrong _____
 Where did you find this price? _____
 Unit of Issue _____
 Who issued this item? _____
 Your requisition number _____
 Contract # on item or paperwork _____

Is there another NSN you can USE IN PLACE OF this item (at a lower price)? _____ YES _____ NO

NSN _____ Price _____ U/I _____

Is there a SIMILAR item you can use in place of this you think is priced close to the true value of this item? _____ YES _____ NO

NSN _____ Price _____ U/I _____

Can you buy this SAME ITEM for less elsewhere? _____ YES _____ NO

Name of Company _____ FSCM/CAGE _____

Part Number _____

Address _____

Telephone(_____) _____

Why do you think this item is overpriced? _____

 _____ (Continue on reverse)

Any other comments or information _____
 _____ (Continue on reverse)

Please provide your complete mailing and message address:

Rank/Rate/Name: _____

Command: _____

Mailing Address: _____

Message Address: _____

FTS Number: _____

SEND TO APPROPRIATE COAST GUARD OR NAVY PRICE CHALLENGE OFFICE
 DEPT. OF TRANSPORTATION, USCG, CG-5592(8-94) LOCAL REPRO

ROUTING OF PRICE CHALLENGES

1. **COAST GUARD-UNIQUE ITEMS:** Challenges involving parts managed solely by the Coast Guard shall be submitted to the Coast Guard Supply Center (SUPCEN) which manages those parts. Coast Guard-unique parts can be identified in the Federal Supply System (FSS) by a "Z" designator in the Source of Supply (SOS) column of the FED LOG. Specific designators and addresses for all three Coast Guard SUPCENs are shown below:

Designator: **Supply Center (SUPCEN):**

ZIC Supply Center Curtis Bay (SCCB)

Commanding Officer
U.S. Coast Guard Supply Center
Fleet Support Operations Branch
2401 Hawkins Point Road
Baltimore, MD 21226-1792
FTS/COMM (410) 636-3019

ZNC Supply Center Baltimore (SCB)

Commanding Officer
U.S. Coast Guard Supply Center
Technical Services Branch, Code 360
707 East Ordnance Road
Baltimore, MD 21226-1741
FTS/COMM (410) 508-7185

ZQC Aircraft Repair & Supply Center (AR&SC)

Commanding Officer
USCG Aircraft Repair & Supply Center
Product Development Branch
Elizabeth City, NC 27909
FTS/COMM (919) 335-6190

2. **ITEMS MANAGED BY OTHER GOVERNMENT AGENCIES:** Challenges for parts within the FSS which are not Coast Guard-unique shall be submitted to the Navy Price Challenge Office. Challenges may be submitted by mail, phone, or telefax. The address and phone numbers for the Navy Price Challenge Office are shown below:

Commanding Officer
Fitting Out and Supply Support Assistance Center
PRICE FIGHTERS (Code 08)
P. O. Box 15129
Norfolk, Virginia 23511-0129

Pricing Hotline Phone: (804) 445-1786
Pricing Hotline FAX: (804) 445-2482

U.S. Department
of Transportation

**United States
Coast Guard**

2100 Second St., S.W.
Washington, D.C. 20593

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